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IN THE

Supreme Court of the United States

OCTOBER TERM, 1940.

No. 570

RCA MANUFACTURING COMPANY, INC.,

Petitioner,

—against—

PAUL WHITEMAN, W. B. O. BROADCASTING CORPORATION, and ELIN, INC.,

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT AND BRIEF IN SUPPORT THEREOF.

DAVID MACKAY,
LAWRENCE B. MORRIS,
Counsel for Petitioner.

THE COURT PRESS, N. Y. C.

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—against—

PAUL WHITEMAN, W. B. O. BROADCASTING CORPORATION and ELIN, INC.,
Respondents.

Petition for Writ of Certiorari.

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

The petitioner, RCA Manufacturing Company, Inc., prays for a writ of certiorari to the Circuit Court of Appeals of the United States for the Second Circuit to review its final judgment in this cause entered on August 14, 1940. A certified transcript of the Record, including the proceedings in said Circuit Court of Appeals has been filed herewith pursuant to Rule 38.

Summary Statement of the Matter Involved.

Petitioner, RCA Manufacturing Company, Inc. (hereinafter sometimes called "RCAM"), the maker

of "Victor" and "Bluebird" phonograph records, commenced this action in the District Court for the Southern District of New York to enjoin the unauthorized radio broadcast of its records. W. B. O. Broadcasting Corporation (hereinafter called "W. B. O."), owner of a radio station, was broadcasting these records and Elin, Inc. was an advertising sponsor of W. B. O.'s record program. Petitioner was successful in the District Court. Findings of Fact and Conclusions of Law were filed on July 14, 1939 (R. 412-438). The opinion of the District Court (R. 438-450; 28 F. Supp. 787) was filed and the judgment entered on July 25, 1939 (R. 451-453). On appeal to the Circuit Court of Appeals for the Second Circuit, the judgment was reversed and the complaint dismissed (R. 473-474). The Circuit Court opinion appears at pages 463-472 of the Transcript and is officially reported at 114 F. (2d) 86.

Originally this cause was ancillary to and by order of the District Court for the Southern District of New York, dated January 29, 1938, was to be tried together with a suit brought by respondent Whiteman, a recording artist, against W. B. O. and Elin, Inc. That suit sought similar relief but only as to Whiteman records broadcast by W. B. O. The action was discontinued at the outset of the trial, December 12, 1938 (R. 41-42).

In the present cause RCAM sought (a) a decree adjudicating it to be the owner of all rights in the records embodying the performances of the respondent Whiteman, and (b) an injunction restraining W. B. O., Elin, Inc. and Whiteman from using or licensing the use of these records for radio broadcast or other commercial purposes without its permission (R. 15). Based on allegations of the complaint

(R. 2-16) and evidence at the trial (R. 104-118) the scope of relief sought was broadened to include all unauthorized broadcasts of RCAM records by W. B. O. This relief was granted by the District Court but denied by the Circuit Court of Appeals.

Whiteman, although his original cause had been withdrawn, was also granted affirmative relief by the District Court. At his instance, W. B. O. and Elin, Inc. were enjoined from broadcasting certain records embodying Whiteman's performances which he had made for RCAM under contract reserving radio broadcast rights to Whiteman (R. 453). This provision of the decree was also reversed by the Circuit Court.

Issues Involved.

Petitioner's case is based on the following points:

(a) W. B. O.'s unauthorized radio broadcasts of petitioner's phonograph records constitutes an unfair method of competition by the broadcaster (W. B. O.) with petitioner. As the District Court found, petitioner and W. B. O. as a radio broadcaster of petitioner's records are in direct competition with one another—in "the business of selling entertainment to the public" (R. 427). In such circumstances it is not fair dealing for the broadcaster to appropriate for its own profit the fruits of the investment, enterprise and resourcefulness of its competitor. This is so whether or not petitioner as manufacturer of the records is considered to have a property right in the records after their sale for home use only.

(b) Moreover, as the record demonstrates and the District Court found, petitioner's phonograph records were originally sold by it to Bruno-New York, Inc., a record distributing company, pur-

suant to a written agreement with petitioner which provided that Bruno would not resell the records or furnish them to others for use for any purpose except for non-commercial use on phonographs in homes (Exhibit 34; R. 362); that despite its full knowledge of the existence of this agreement, W. B. O. knowingly and wilfully induced Bruno to breach its said agreement with petitioner; and that this conduct of W. B. O. constituted a wrong as against petitioner which equity should enjoin (R. 426-427, 436).

(c) The limited restriction on use of the records is not contrary to public policy but in furtherance of such policy. The restriction is carefully delimited in scope. It operates only against unauthorized conduct by radio broadcasters as a class. And its effect is not to deprive them of music or the services of musicians. It is rather to stimulate the employment of musicians.

(d) Petitioner recognizes in Whiteman, a performing artist of unique talent, a common law right of artistic property and a right to prevent radio broadcasters' unfair methods of competition which under other circumstances would enable him to restrict the radio broadcast of phonograph records of his performances. However, through operation of law by reason of his employment by petitioner and by reason of the express provisions of two of the three contracts by which he was so employed (R. 338-342), Whiteman's rights passed to petitioner for good and valuable consideration.

(e) As a producer of phonograph records, petitioner makes a substantial intellectual contribution to the finished product which, under well-accepted doctrine, entitles it to an enforcible

property right therein, and such right is independent of and in addition to the right of the performing artist.

(f) Nor are these various rights surrendered or abandoned by reason of petitioner's sale of its phonograph records. As is demonstrated above, since 1937 RCAM phonograph records have been sold under contracts which expressly provide that the use of records so sold is not permitted for radio purposes nor for any but home use (Exhibit 34; R. 362). RCAM records so sold bear on their faces notice of this restriction. In addition, specific notice of the restriction was communicated to W. B. O. by petitioner (R. 421-423). The entire organization of RCAM negatives any intent to abandon its right to control radio broadcasts of its records.

All of these points (except the existence of an intellectual property right in petitioner) were upheld by the District Court.

Appeals to the Circuit Court of Appeals.

W. B. O. appealed from the entire decree except that part which, at the instance of RCAM, enjoined Whiteman from asserting rights in records embodying his performances but as to which he had failed to reserve his rights (R. 456). Whiteman appealed from all of the injunctive relief granted to RCAM both as to him and as to W. B. O. and Elin, Inc. (R. 455). RCAM appealed (a) from the injunction granted to Whiteman preventing W. B. O.'s and Elin's use of records as to which he had reserved rights, and (b) from the failure of the decree to base RCAM's injunction on a common law right of intellectual property (R. 454). Elin, Inc. did not appeal.

The Decision of the Circuit Court of Appeals.

By order entered August 14, 1940, the Circuit Court of Appeals reversed the judgment of the District Court and dismissed the complaint (R. 473-474). The opinion of the Court written by Learned Hand, *C. J.*, denied the existence of rights either in Whiteman or RCAM (R. 463-472).

With respect to the claim of unfair competition, the Court referred to the case of *International News Service* v. *Associated Press*, 248 U. S. 215, and simply refused to find in that case any principle applicable to the analogous facts of this case. It also stated that RCAM's common law property rights, if any, ended with the sale of the records and could not be preserved by the limited restriction upon their use.

The Court declared that the common law property right, if any, ended with the sale of the records; that the use restriction did not preserve that right; and that the records could not be clogged with an equitable servitude.

Finally, the Court found that W. B. O. was not guilty of a tort in inducing RCAM's original purchaser and wholesaler to violate its agreement not to sell records for radio broadcast purposes.

Reasons Why this Petition Should Be Granted.

Petitioner respectfully submits that this cause should be reviewed by this Court for the following reasons:

1. In denying to petitioner the protection of equity against the attempt by its competitor (W. B. O.) to appropriate the industry, skill and experience of RCAM, the Circuit Court of Appeals failed to give proper weight to the clear implications of

the holding of this Court in *International News Service* v. *Associated Press*, 248 U. S. 215, to the holding of the Circuit Court of Appeals for the Ninth Circuit in *Associated Press* v. *KVOS*, 80 F. (2d) 575 (1935), reversed on jurisdictional grounds, 299 U. S. 269 (1936), to the decision of the Circuit Court of Appeals for the First Circuit in *Uproar Co.* v. *National Broadcasting Co.*, 81 F. (2d) 373 (1936), to the holding of the District Court for the Western District of Pennsylvania in *Pittsburgh Athletic Co.* v. *KQV Broadcasting Co.*, 24 F. Supp. 490 (1938), and to the authority expressed by the Supreme Court of New York in *Twentieth Century Sporting Club, Inc.* v. *Transradio Press Service, Inc.*, 165 Misc. 71 (1937). These cases in analogous circumstances condemned as unfair competition attempts of a competitor to take a "free ride" on the investment, enterprise and resourcefulness of another.

2. The decision of the Circuit Court of Appeals holding that the rights of the performing artist, which in this case passed by assignment and operation of law to the petitioner, are non-existent after sale of phonograph records embodying his performance, is in conflict with decisions of the Supreme Court of Pennsylvania and of the United States District Court for the Eastern District of North Carolina. In *Waring* v. *WDAS Broadcasting Station*, 327 Pa. 433 (1937) and in *Waring* v. *Dunlea*, 26 F. Supp. 338 (E. D. N. C. 1939), the courts recognized the common law rights reposing in the recording artist in the absence of circumstances which, as in the instant case, passed those rights to the recorder, and that such rights can be effectively preserved.

3. In failing to recognize in the producer of phonograph records a sufficient intellectual contribution to

entitle it to a common law property right, the Circuit Court failed to give proper weight to the recent analogous holding of this Court that the motion picture producer makes an artistic contribution to the finished film [*Sheldon* v. *Metro-Goldwyn Pictures Corporation,* 84 L. Ed. 576, 583 (1940)] and the venerable decision of this Court that the photographer makes a contribution of sufficient artistry to render him eligible for copyright protection [*Burrow-Giles Lithographic Company* v. *Sarony,* 111 U. S. 53 (1884)], and the decision of the Circuit Court is in conflict with these applicable decisions of this Court.

4. In denying the existence of rights of any nature in the recorder, the Circuit Court has thrown doubt on the well-established holding of the Circuit Court for the Eastern District of New York in *Fonotipia Limited* v. *Bradley,* 171 Fed. 951 (1909). That case has long been a bulwark of producers of phonograph records against piratical reproduction of their products by purchasers who use records to manufacture new stampers and who then release the stolen record as their own. The implications of the instant decision may render nugatory any protection heretofore derived from this leading case.

5. This is a test case. Hundreds of radio stations throughout the nation are broadcasting phonograph records purchased at nominal cost* and broadcast for advertising sponsors at phenomenal profit. Recorders have expended millions of dollars and the time, ingenuity, effort and labor of thousands of men and women in producing and perfecting phonograph

* The retail price of popular phonograph records containing two selections ranges from 35c. to 75c. The evidence in this case demonstrates that W. B. O. purchased records at a discount from these prices (R. 102).

records. Until recently, the entire industry staggered under the almost mortal blow delivered by the advent of radio broadcasting. Now, having recouped some of its losses, it faces the combined efforts of the broadcasting industry to purloin its products, displace "live" musicians on the air and yet, at the expense of others, reach a nationwide audience with advertisements for which sponsors pay millions annually and with recorded musical entertainment purchasable at nominal cost. Issues are thus involved which, it is respectfully submitted, merit the attention of this high Court.

6. Finally, the questions involved in this case are of tremendous importance to the entire phonograph record and radio broadcasting industries, as well as to all artists who perform services for recording companies. While, as stated above, this is a test case, it is only one of several cases now pending in the Courts involving some or all of the questions inherent in the case at bar. These cases are *American Society of Recording Artists, Inc.* v. *KFWB Broadcasting Station, et al.*, Superior Court of the State of California, County of Los Angeles (RCA Manufacturing Company, Inc., Intervenor); *Waring* v. *Hearst Radio, Inc.*, United States District Court for the Northern District of California, Southern Division; *National Association of Performing Artists, etc.* v. *Wm. Penn Broadcasting Company, et al.*, removed to the United States District Court for the Eastern District of Pennsylvania; *National Association of Performing Artists, etc.* v. *Westinghouse Electric and Manufacturing Company*, Court of Common Pleas, Philadelphia, Pa., all of the foregoing cases involving the use of phonograph records by radio broadcasters; and *National Association of Performing Artists* v. *Maurice Finkel, et al., Irwin Newman, etc. and*

Edward Klein, etc. (3 cases, Court of Common Pleas, Philadelphia, Pa.), cases involving the use of records on coin-operated phonographs. Review of the case at bar by this Court and final determination of the rights of the phonograph record manufacturer, the performing artist and the radio station will terminate this mass of litigation and make unnecessary the institution of many additional suits.

WHEREFORE, your petitioner respectfully prays that a writ of certiorari issue out of and under the seal of this Honorable Court, directed to the United States Circuit Court of Appeals for the Second Circuit, commanding the said Court to certify and send to this Court, on a day certain to be therein designated, a full and complete transcript of the record and all of the proceedings of said Circuit Court of Appeals in the said cause entitled "*RCA Manufacturing Company, Inc.* v. *Paul Whiteman, W. B. O. Broadcasting Corporation and Elin, Inc.*" to the end that said cause may be reviewed and determined by this Court as provided by Section 240 of the Judicial Code, and that your petitioner may have such other or further relief or remedy in the premises as this Court may deem appropriate and in conformity with said provision of the Judicial Code and that the said judgment of the said Circuit Court of Appeals in the said case may be reversed by this Honorable Court.

Respectfully submitted,

RCA MANUFACTURING COMPANY, INC.,

By DAVID MACKAY,
LAWRENCE B. MORRIS,
Counsel for Petitioner.

November 12, 1940.